Better Marketing

Division of Marketing and Marketing Agreements

· · AGRICULTURAL · ADJUSTMENT · ADMINISTRATION · ·

Vol. I WASHINGTON, OCTOBER 31, 1936 NO. 16

FLUID MILK PRICES SHOW UPWARD SWING

Gain in Consumer Demand and Effects of Drought on Product'on Influenced Price Changes

Prices paid for milk by distributors in 123 fluid milk markets in the United States increased on the average about 11 percent from July to September of this year, when they averaged about 11 percent above September 1935. The retail price of milk was a cent per quart higher in September this year than a year ago in 24 of the 35 cities for which retail prices were reported to the Bureau of Agricultural Economics, and in several cities it was more than a cent higher. These price increases are attributable chiefly to a strengthening demand in the cities and to the effect of the drought on milk production generally in the country as a whole, according to the Dairy Section.

Available indexes of industrial production, factory pay rolls, construction activity, and national income indicate that consumer incomes have increased substantially during the last year. The national income (excluding agricultural income) in August of this year was estimated at 13 percent greater than in August 1935.

Milk production decreased sharply during the summer in the drought areas. Although there was only about 1 percent fewer milk cows than last year, total milk production on September 1 was down to about 8 percent below last year. The pro-

(Continued on p. 2)

Program for Fort Wayne Milk Market Tentatively Approved

A marketing agreement for handlers of milk in the Fort Wayne, Ind., marketing area has been tentatively approved and sent to handlers for signature. Producers are being requested to indicate whether they favor the issuance of an order by the Secretary of Agriculture embodying the provisions of the agreement.

Developed at the request of producers supplying the market, the program under the agreement is designed to maintain stabilized marketing conditions and improve returns to milk producers. The program is similar to that which has been in effect in that area during the last 2 years under a license for milk distributors. It is designed to continue coordinated regulation of milk in the Fort Wayne market by the State of Indiana and the Federal Government.

The main provisions govern the classification of milk into three classes according to use by handlers, the establishment of minimum prices which handlers would pay producers for each class of milk, the equitable distribution of returns to producers through a market-wide pool, and payment to producers according to the quantity each delivers until January 1, 1937, and from that date on according to a base rating plan. The program would be administered through a market administrator.

Under the agreement each handler would pay producers for the 4 percent butterfat content equivalent of class 1 milk at the handler's plant not less than $2.28 per hundredweight. The class 2

(Continued on p. 4)

PROGRAM TO ENCOURAGE NEW OUTLETS FOR DATES

Agreement W.th Industry-Wide Organization To Divert Substandard Dates to Byproduct Uses

A program to divert substandard dates of the 1936 crop from their normal use in order to encourage specified byproduct outlets has been approved by the Secretary of Agriculture. The program will be conducted under an agreement between the Secretary and the Coachella Valley Date Growers, Inc., a nonprofit industry-wide growers' organization.

Under the program the corporation is to be authorized to buy and sell substandard dates for conversion into byproducts, such as crushed dates, date sugar, date crystals, alcohol, brandy, and other approved uses.

The corporation will be indemnified for losses incurred under this program to the extent of the amount by which the purchase price of the dates exceeded the sales price, plus handling expenses. Operation of the program is made possible through the provisions of section 32 of the amendments to the Agricultural Adjustment Act, approved August 1935. This section makes available to the Secretary of Agriculture an amount equivalent to 30 percent of the annual customs receipts for uses which include diversion of agricultural products from normal trade channels to encourage new uses and new outlets.

Production of dates in the United States is confined principally to the Coachella and Imperial Valleys of California, with some produced in Arizona. This industry in the United States is relatively new. Production for 1936 is estimated at 7 million pounds, compared with 1,340,000 pounds, the average annual production during the 1925–29 period, and an average annual production

(Continued on p. 2)

STATE AND FEDERAL GOVERNMENTS COOPERATE ON FLORIDA'S CITRUS MARKETING PROBLEMS

Florida citrus growers, shippers, and canners have developed a comprehensive program designed to merchandise the large grapefruit crop in prospect this season for the purpose of obtaining as favorable returns to growers as possible in view of anticipated supply and demand conditions. The program is based on close cooperation between State and Federal agencies.

Under State legislation, effective last season, the Florida Citrus Commission is regulating certain market practices in the industry, including the inspection and packaging of the fruit. It is also enforcing the State's maturity standards in order to prevent the shipment of immature and unpalatable fruit.

In addition, the industry has placed into operation a marketing agreement program under the amended Agricultural Adjustment Act for the purpose of adjusting the supply of fruit shipped in interstate and foreign commerce to the demands of the markets. By this means, growers and shippers are enabled to adjust their shipments on an industry-wide basis when such regulation is needed to prevent low returns to the growers.

The third feature of the program is designed to stabilize prices for grapefruit, particularly for that part of the crop which is not shipped to fresh-fruit markets. With the exception of fruit sold for local consumption, this part of the crop is usually sold to canners and juice plants.

The large supply of grapefruit this season will probably make it difficult for the entire crop to be moved into the available outlets without burdensome surpluses and low prices. In order to provide stability under these conditions, arrangements have been made to divert surplus grapefruit from commercial outlets through purchases by the Agricul-

(Continued on p. 2)

102326—36

License for California Citrus Terminated; Order in Effect

Termination of the license for shippers of California citrus fruit became effective October 15. The license has been inoperative since last January when an order was issued by the Secretary of Agriculture to supersede it in accordance with the amendments to the Agricultural Adjustment Act of August 1935.

The program for the California citrus industry continues in effect under the order and a marketing agreement which has been in force since 1933. Under the program the industry has been enabled to adjust shipments of fruit to market requirements.

Better Marketing
Division of Marketing and Marketing Agreements
AGRICULTURAL · ADJUSTMENT · ADMINISTRATION

JESSE W. TAPP, *Director*

BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts.

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

NATHAN KOENIG, *Editor*, BETTER MARKETING

FLUID MILK PRICES

(Continued from p. 1)

duction of butter and cheese was particularly affected by the drought. The farm price of butterfat increased sharply as the drought developed and in mid-September averaged 42 percent above a year earlier.

Latest developments in the dairy situation as a whole have been an improvement in pastures, an increase in milk production, and a receding of dairy-products prices from the relatively high September level.

Pastures showed an improvement during September in practically the whole drought area and in New England. Much of the midwestern region, particularly in and adjacent to the Lake States area, showed the greatest recovery in pastures of any recent drought year. However, October 1 pasture conditions were still considerably below average except in a few States.

Showing a counter-seasonal increase, total milk production on October 1 apparently was about 2 percent above September 1 and 3 percent above October 1, 1935. The increase during September occurred in the areas where pastures showed marked improvement, particularly in the Lake States area.

Although the prices of butter and cheese, and apparently the farm price of butterfat, have receded somewhat from the mid-September levels, they are still much above a year ago. The price of 92-score butter at New York averaged 33 cents during the first half of October or 20 percent above the first half of October 1935.

Low feed-grain supplies are expected to have a restricting influence on dairy production during the coming winter season after the pasture season ends. Although hay supplies per animal for the country as a whole probably will be about 30 percent larger than in the 1934–35 winter season and only 5 to 10 percent below average, the feed-grain supply per animal probably will be only slightly larger than in the 1934–35 season and about three-fourths of average.

PROGRAM FOR DATES

(Continued from p. 1)

of over 4 million pounds for the 5 years, 1930–34. The rapid increase in production during recent years is attributed to the large number of palms coming into bearing and the increase in production of young bearing palms. The industry estimates that the annual production in the next 5 years will exceed 16 million pounds.

While only a relatively small proportion of the dates consumed in the United States are produced in this country, the domestic production is of higher quality and commands a higher price than imported dates. Through the operation of the program, the industry seeks to maintain this higher quality and encourage new outlets for that portion of the domestic production which may be below standard. The industry has conducted a considerable amount of research in discovering and developing byproduct uses for the lower quality domestic dates. The diversion program is designed to further the industry's efforts through encouraging the commercial development of these byproducts.

FLORIDA CITRUS

(Continued from p. 1)

tural Adjustment Administration for relief distribution.

Agreement Program

In addition to the State's maturity standards, the industry is also regulating the quality and quantity of the grapefruit shipped from Florida. Shipment regulations under the marketing agreement program were initiated during the week beginning September 1, with the movement of grapefruit limited to grades higher than U. S. no. 3 and to sizes 80 or larger per standard packed box, with provision for the shipment of size 96 not exceeding 10 percent of the total. Other grade-and-size regulations have been in effect in subsequent weeks, with modifications from week to week to adapt the regulations to the quality of the fruit and to changed market conditions until the week of October 11, when shipment limitations were placed on a volume basis with 250 carloads allotted for interstate movement. This was intended to slow up the movement in view of low prices in wholesale markets which resulted in many shipments not bringing enough to meet handling and transportation costs. With some resulting improvement in market prices, the weekly movement was increased to 500 carloads for the week beginning October 18.

Besides limiting the weekly shipments in this manner, certain quality standards for grapefruit are being kept in effect. The State Citrus Commission has raised the maturity standards, and shipments in interstate and foreign commerce have been limited to U. S. nos. 1 and 2 grades until November 15.

The coordinated program undertaken by the industry is the result of careful consideration of the marketing problems confronting the Florida citrus growers this season, particularly in the case of grapefruit. It represents the cooperation and support of all parts of the industry. With the continued cooperation of fresh fruit shippers and canners in merchandising the crop, and the diversion of surpluses from commercial outlets, it should be possible to move the entire Florida grapefruit production at relatively favorable returns to the growers.

HEARING ON MILK PLAN FOR PHILADELPHIA AREA

Marketing Program for Interstate Regulation Requested by Two States and Farmers' Cooperatives

A program designed to complement efforts now being made by the Pennsylvania and New Jersey Milk Control Boards in regulating intrastate milk shipments by providing a means of regulating interstate shipments in the Philadelphia area will be considered at a public hearing on November 5 at the Philadelphia Hotel in Philadelphia.

The hearing, called by the Agricultural Adjustment Administration, will be held on a proposed marketing agreement and order for handlers of milk in the Philadelphia marketing area. Requests for the hearing came from the New Jersey State Milk Control Board, the Pennsylvania State Milk Control Board, and the two cooperative milk marketing associations supplying the Philadelphia market. These producer cooperatives are the Interstate Milk Producers' Association and the Allied Dairy Farmers' Association. The hearing will be conducted jointly by the Secretary of Agriculture and the New Jersey and Pennsylvania Milk Control Boards.

Development of the proposed program is the result of a joint study of the Philadelphia milk market conducted by the Dairy Section of the Agricultural Adjustment Administration, the Pennsylvania State Milk Control Board, and the New Jersey State Milk Control Board. This study involved the interstate aspects of that market. Because of cross shipments of milk from State to State, the milk-control boards of Pennsylvania and New Jersey have formally requested the Secretary of Agriculture to participate with them in efforts to regulate the handling of milk in the Philadelphia market. This marketing area would include the territory within the city and county of Philadelphia.

Provisions of Plan

Principal provisions of the agreement and order govern the administration of the program through a market agent, establishment of minimum prices which handlers are to pay producers for milk bought, and the classification of milk into three classes so that handlers may pay producers according to the use made of milk bought.

The minimum price established for class 1 milk is $2.88 per hundredweight delivered at a handler's plant located not more than 25 miles from the City Hall in Philadelphia. If class 1 milk is delivered at, and actually moved from, a handler's plant located more than 25 miles from the City Hall in Philadelphia, there would be subtracted from the class 1 price of $2.88 per hundredweight 21 cents and an amount per hundredweight equal to the rate approved by the Interstate Commerce Commission for the movement of milk in tank cars from the railroad shipping point for the plant to Philadelphia. The minimum prices for class 2 and class 3 milk would be

(Continued on p. 4)

PURCHASES OF SURPLUS GRAPEFRUIT TO START

Program Seeks To Prevent Waste and Low Prices to Growers; All Producing Areas Included

Substantial quantities of surplus grapefruit will be bought by the Agricultural Adjustment Administration throughout the current marketing season for relief distribution to encourage domestic consumption of fruit which otherwise may be wasted or may have a depressing effect on prices to growers.

The program to divert surplus grapefruit from normal channels of trade and commerce into distribution for relief use is to supplement efforts which citrus growers and handlers are making to improve marketing conditions through marketing agreement programs.

The program was developed at the request of growers and handlers in the major grapefruit-producing areas. This season's crop in the United States is the largest on record, with production estimated at 27,603,000 boxes, compared with an average of 14,730,000 boxes produced during the 5 years, 1928–32.

Purchases will be made chiefly in Florida, Texas, California, and Arizona. The fruit is to be bought by the Agricultural Adjustment Administration and distributed by the Federal Surplus Commodities Corporation to relief agencies.

The purchases will be made direct from growers or shippers through, or in cooperation with, the control committees of the citrus marketing agreement programs operating in Florida, and in the California-Arizona area, and a committee representing the industry in Texas.

The buying of fruit is to be restricted to U. S. no. 3 grade or better, and the grade of grapefruit delivered must be certified by the Federal-State or State inspection services.

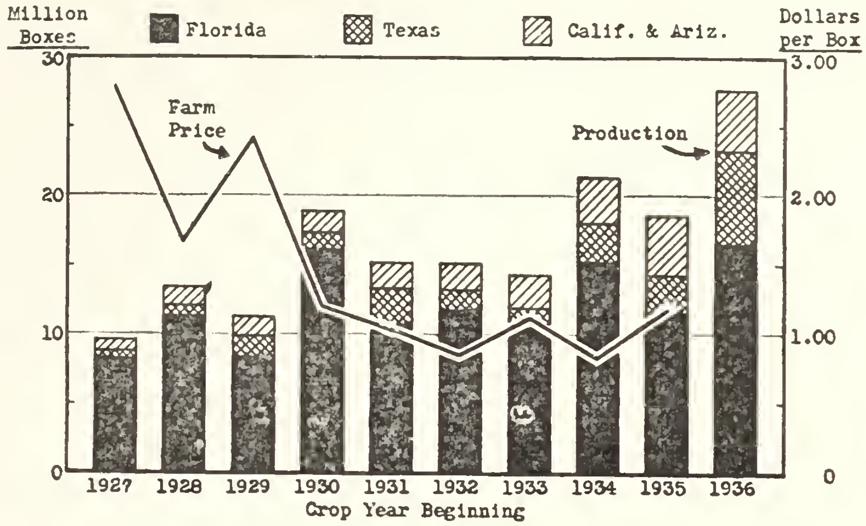
First purchases of surplus grapefruit are expected to be made in Florida before the end of this month, since this State is now shipping fruit to market in considerable volume. Purchases in the Texas and California-Arizona areas are expected to begin later in the season when the volume of shipments and market conditions warrant.

Prices to Growers

Florida grapefruit growers have been informed by the Agricultural Adjustment Administration that purchases of surplus grapefruit will be made in that State at 46 cents per standard field box loaded in cars, of which 31 cents will go to growers. Shippers are to pay the State's 3-cent advertising tax and 1-cent inspection charge out of the 15 cents they receive, leaving 11 cents for picking, hauling, washing, grading, and loading the bulk fruit in cars. Prices to growers in the other producing areas will be on a comparable basis, with suitable allowances for necessary handling, packaging, or loading costs.

The basis on which the purchases are to be made was developed by the Agricultural Adjustment Administration through conferences with representatives of shippers and growers.

TREND OF GRAPEFRUIT PRODUCTION AND FARM PRICES



The crop of grapefruit which is now beginning to move to market is expected to be the largest crop on record in the United States and is estimated at 27,603,000 boxes by the Crop Reporting Board of the Department of Agriculture. This crop is 9,000,000 boxes, or about 50 percent larger than the production last season, and is two and one-half times as large as the 1929 crop. This year's crop is reported to be of excellent quality, however, and this should help materially in moving it to market.

The increased supply of grapefruit is located primarily in Florida and Texas. Florida alone has 16,500,000 boxes for the 1936 marketing season as compared to 11,500,000 boxes last year. In fact, the size of the Florida crop is within 2,000,000 boxes of the total production for the country as a whole last year. The Texas crop is estimated at 6,730,000 boxes, which is 4,000,000 boxes more than has ever been produced in that State. In prior years, as recent as 1928, the Texas grapefruit crop was less than 1,000,000 boxes. Approximately 4,500,000 boxes are expected in the State of California and Arizona this season, each State having slightly more than 2,000,000 boxes. The trends of grapefruit production and farm prices since 1927 are shown in the accompanying chart.

With the increase in supplies of grapefruit market prices and farm prices have declined materially. This has resulted in keen competition for additional market outlets for fresh fruit and the increase in importance of the canning and processing outlets in helping to move the fruit into consumption. More and more grapefruit now is being canned. In 1920 canned grapefruit was not known, but in 1928 the canning output had reached approximately 1,000,000 cases of 24 no. 2 cans, and utilized about 1,000,000 boxes of fruit. By 1934 canning operations took nearly 6,000,000 boxes, and it is not unlikely that this year the canning outlet may require as many as 7,000,000 boxes of fruit in Florida and from 1,000,000 to 2,000,000 boxes in Texas.

Some growers and shippers still hold that the canned fruit and juice are detrimental to the industry through the competition of these products with the sales of grapefruit in the fresh form. It is now generally believed by the industry, however, that consumers use much of the processed grapefruit in a way in which the fresh fruit would not be used, and that the movement through this outlet has the effect of extending the marketing season for a longer period than if the entire crop were sold in fresh market outlets. In recognition of this situation leaders in the industry now are attempting to develop merchandising programs in which growers, shippers, canners, and others concerned may coordinate their efforts in marketing a large crop.

Florida Citrus Amendment To Aid Correction of Allotment Bases

An amendment to the marketing agreement and order for handlers of citrus fruit grown in Florida became effective October 28, and is designed to clarify the authorization for making revisions in allotment bases.

The amendment adds an additional provision which permits the control committee, upon its own initiative, subject to the opportunity of the person affected to be heard, to correct any allotment base, if the evidence reveals that the allotment base is inaccurate or inequitable. Previously, revisions for corrections of any allotment base established by the control committee of the Florida citrus marketing agreement and order could be made only on application in writing by an applicant, provided he presented evidence that his base was inaccurate or inequitable.

The amendment was suggested by the control committee in charge of administering the program and was considered at a public hearing held May 26, at Lakeland, Fla.

DIVERSION PLAN READY FOR NORTHWEST PEARS

Program To Encourage New Outlets for Northwest Pears Awaiting Approval by Industry

A program for the diversion of fall and winter pears grown in Oregon and Washington from the normal channels of trade in domestic and foreign markets, to new markets and new uses, to be conducted under an agreement between the Secretary of Agriculture and the Oregon-Washington Pear League, Inc., organized by the industry for this purpose, has been tentatively approved by the Secretary of Agriculture.

The plan is made possible through the provisions of section 32 of the amendments to the Agricultural Adjustment Act, approved August 1935. A similar program has been in operation for California fall and winter pears. The agreement is being submitted to the industry for signature.

The program, if made effective, will be for fall and winter pears grown in Oregon and Washington and of a grade equal to or better than U. S. No. 1 grade, with a tolerance of 20 percent for any one container. Three types of outlets would be encouraged. These would include shipments into certain States not now normal markets for Oregon and Washington fall and winter pears, exports to certain foreign countries, and diversion into new uses such as the manufacture of pear concentrates, pear brandy, and other byproducts.

Under that phase of the program to encourage consumption in certain domestic markets as a means of diversion from normal channels of trade, indemnity payments would be made on the basis of the difference between the average base price fixed by the Secretary and the net sales price, limited, however, to an average of 50 cents per box on pears so diverted. The average base price and net sales price would be determined for each of the three principal pear-producing areas in the States of Oregon and Washington, rather than for the two States together. Thus the material difference in prices received in the past for fruit produced in the various districts would be preserved under the program.

Exports of Oregon and Washington fall and winter pears would be encouraged through an indemnity payment of 50 cents per box on pears exported to all foreign countries except the countries comprising the British Empire (but not including mandated territories); all countries, colonies, and territories, including Palestine, bordering upon the Mediterranean Sea; the countries of Europe, Argentina, and Cuba. The agreement provides that the Secretary may change the list of such countries upon 30 days' notice.

Indemnity payments for losses incurred on pears sold for diversion from the normal channels of trade to byproduct uses would be based on the difference between a unit price (representing market value) and the sales price less certain expenses. The unit price and the sales price would be fixed by the Secretary.

The proposed program, if made effective, is expected to be of material aid in improving returns to growers by encouraging the development of new outlets. In recent years the development of markets for fall and winter pears has not kept pace with the rapid increase in production. This situation has resulted in constantly lower prices so that for the past 6 years fall and winter pears have sold at prices about 60 percent of the 1922–28 average.

MARKETING AGREEMENT CONSIDERED FOR ONIONS

Late Crop of Onions Largest on Record; Growers Confronted With Difficult Marketing Situation

A proposed marketing agreement program for handlers of onions grown in Colorado was considered at public hearings held October 26, at Delta, and October 28, at Rocky Ford, Colo.

Under the terms of the agreement and order providing for the program, it would be possible for the industry to adjust the grade and size of onions shipped in accordance with market requirements. The program would provide for cooperation with the Secretary of Agriculture in surplus removal operations through purchases of onions for relief use which may be put into effect under provisions of section 32 of the amendments of the Agricultural Adjustment Act, approved August 1935. In addition, the control board administering the program could cooperate with committees of other marketing agreement programs which may be developed for onions, or with handlers operating under such a program in any other section shipping at the same time.

Developed at the request of approximately 80 percent of the industry, the marketing agreement program for onions grown in Colorado is designed to improve returns to growers.

More than 90 percent of all carlot shipments of onions from Colorado are made to markets in other States. The shipping season for these onions extends from September to March and coincides with the shipping season of late onions grown in eastern, central, and western areas. The main outlet for Colorado onions is in eastern and central markets.

Record Production

Late onion production this year in the United States is the largest on record, according to estimates of the Crop Reporting Board of the Department of Agriculture which indicate a crop approximating 11,964,000 100-pound sacks. Previous large onion crops amounted to 11,904,000 sacks in 1930 and 11,431,000 sacks in 1932, whereas the average production for the 5-year period 1928–32 was 9,602,000 sacks.

This production resulted from favorable growing conditions in practically all of the important commercial districts. The increase is especially pronounced in the States of New York and Michigan, where increased production this year has resulted in a crop representing about 47 percent of the production for the country as a whole. The increase in these States compared with the average production for the 5 years, 1928–32, accounted for much of the increased production shown for the entire late onion crop. Large plantings in many of the areas in these two States, together with favorable growing conditions, resulted in a production more than 100 percent larger than the average crop in the seasons 1928 to 1932.

Low Prices

With the large onion crop, and much of it produced in areas near markets, relatively low market prices have resulted and have made it difficult for growers and shippers in the more distant areas to move their crops. In fact, prices are so low that at present shipment of the domestic yellow varieties probably would not pay the cost of transportation from the western growing areas to eastern markets.

There are certain factors which may have favorable influences in raising the level of onion prices. Among these are the smaller late potato and late cabbage crops this season. There is a tendency for onions to move into consumption at a faster rate due partly to the present low level of onion prices. From the viewpoint of the marketing season as a whole, which extends throughout the coming winter months, these factors are expected to have favorable effects. Moreover, the onion crop in practically all sections is reported to be of excellent quality and appearance, although a larger than usual proportion of the crop is found in the larger sizes this season.

FORT WAYNE MILK

(Continued from p. 1)

price would be arrived at by multiplying by 4 the average price per pound of 92-score butter at wholesale in the Chicago market for the delivery period, plus 30 percent of the result. The class 3 price would be arrived at by multiplying by 4 the average price per pound of 92-score butter at wholesale in the Chicago market and 10 cents added to the result.

PHILADELPHIA HEARING

(Continued from p. 2)

based on a formula which specifies additions to the average wholesale price per pound of 92-score butter in the New York market reported for the monthly delivery period.

Handlers would be required to submit to the market agent periodic reports showing the volume of milk received from producers during each month, the utilization of this milk, and the payments made to producers. These reports would be subject to verification by the market agent who also may weigh, sample, and test milk for butterfat content in behalf of the producers.

The proposed agreement and order does not provide for the pooling of returns to producers, nor does it provide for the establishment of bases for producers supplying the market.

U. S. GOVERNMENT PRINTING OFFICE: 1936